

**IMPORTANT NOTICE TO S-CORPORATIONS AND PARTNERSHIPS
REGARDING REQUIREMENTS FOR TWO NEW FORMS
AND THE SAFE HARBOR TO AVOID FILING THEM**

On January 18, 2022, the IRS issued final instructions on the new Schedules K-2 and K-3 for S Corporation and Partnership returns. Under these instructions, the new forms are required to be attached not only to S Corporation and Partnership returns with foreign activities, but also to returns for Corporations, Partnerships, and LLCs **whose owners (shareholders, partners, or members) are not exempt from filing IRS Form 1116 (Foreign Tax Credit) with their individual Form 1040 returns.** Failure to attach these new forms when required can result in sizable penalties.

We cannot be certain that all owners are exempt unless we first complete or obtain copies of their 2021 individual Federal income tax returns. Without that certainty, we would be required to add these new forms to the corporate or partnership return to avoid the penalties, **and your fee would increase dramatically,** but there is a safe harbor!

IRS Notice 2021-39 allows us to rely on a good faith safe harbor to avoid the penalties by obtaining confirmation from all owners that they are not required to file Form 1116 with their 2021 individual Federal income tax return. We are therefore providing **Confirmation of Exemption** forms **for each individual owner to sign.** By returning all signed Confirmation of Exemption forms to us, the safe harbor requirements will be met and we will not be required to attach the new Schedules K-2 and K-3 to the return.

If we are preparing a return for an S Corporation or Partnership of which you are an owner, **and in good faith you do not expect to attach IRS Form 1116 (Foreign Tax Credit) to your 2021 individual return,** we encourage you to provide this confirmation at your earliest opportunity to avoid delays in completing the S Corporation or Partnership return.

**CONFIRMATION OF EXEMPTION
FROM FILING IRS FORM 1116 (FOREIGN TAX CREDIT)**

S Corporation/Partnership Name: _____

S Corporation/Partnership TIN: _____

Owner Name: _____

Owner TIN: _____

"I confirm that I am not personally subject to filing Form 1116 (Foreign Tax Credit) with my 2021 Individual Federal Income Tax Return Form 1040."

Signature of Owner: _____

Date: _____

Please return this confirmation to the S Corporation or Partnership for submission, or send it directly to:

MCLR Financial Center
G4454 S Saginaw St
Burton, MI 48529-2067